

Thousands whose health policies were canceled to be offered new coverage

The state reaches agreement with Kaiser, Health Net and PacifiCare that will also provide for compensation for medical bills. Lawyers balk at the notification process.

By Lisa Girion, Los Angeles Times Staff Writer
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About 3,400 Californians whose health insurance was canceled by Kaiser, Health Net and PacifiCare after they got sick will soon receive notification that they may be eligible for new coverage and for compensation for medical bills they paid while they were uninsured.

In a deal with state regulators, the insurers agreed to offer former members new coverage regardless of preexisting medical conditions and to reimburse them for medical expenses. In exchange, the state Department of Managed Health Care will close investigations into the companies' rescission practices. Regulators began mailing out notices to individuals Tuesday.

The state's largest insurers have all been widely accused of looking for ways to drop individual policyholders who incur high costs. The insurers contend that members who are dropped have misrepresented their medical histories on their applications.

The practice has been condemned by lawmakers, judges and regulators.

The agreements between the state and the insurers were unprecedented in their ambition to restore coverage. But they also have come under fire from consumer advocates.

The mailed notices triggered another flare-up.

Lawyers for policyholders expressed concern Friday at a hearing in a suit against Health Net over a plan for the insurer to notify former members about the state agreement.

State law stipulates that such notices go through lawyers for members of the presumed class, said Mike Bidart, one of the policyholder lawyers.

What's more, he said, policyholders would eventually receive court-approved notices about developments in the case, including any settlement.

"Our concern was that it creates tremendous confusion for people to get one notice and then another," he said.

Los Angeles County Superior Court Judge Victoria Chaney set a hearing for Sept. 2 to consider

the issue. Then late Monday, Bidart said he learned that the state intended to send the notices out itself.

"I'm sure they are doing this because the courts don't currently have jurisdiction over the DMHC," Bidart said. "They are basically end-running what was about to be heard by the court."

The department's executive director, Cindy Ehnes, defended her actions. She suggested that lawyers who opposed her plan were seeking fees that would result from the settlement of their lawsuits.

"Our process would not result in the millions of dollars in awards of attorneys' fees that I think these folks are contemplating," she said.

Ehnes said former policyholders could resolve their cancellations through the department's process, which would send each case to a third-party arbitrator, or wait for the outcome of the class-action litigation. "What we have tried to do is to offer enrollees options," she said.

The department reached similar settlements with Anthem Blue Cross of California and competitor Blue Shield.

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